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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 006250

SIPDIS

STATE FOR NEA/ARN
TREASURY FOR ZARATE, MILLS, DEMOPULOS

E.O. 12958: DECL: 07/21/2014

TAGS: [EFIN](#) [PREL](#) [ETRD](#) [IZ](#) [JO](#)

SUBJECT: JORDAN'S FINANCE MINISTER ON IRAQI ASSETS, IRAQ
OIL PIPELINE AND PROPOSED OIL-FOR-DEBT SWAP

REF: A. AMMAN 6173
[B. AMMAN](#) 5726
[C. AMMAN](#) 5399
[D. AMMAN](#) 4670
[E. AMMAN](#) 3801 AND PREVIOUS

Classified By: CDA DAVID HALE. REASONS 1.5 (B, D)

[11.](#) (C) SUMMARY: Minister of Finance Mohammad Abu Hammour July 21 told the Charge that the final payment to DFI of Iraqi assets would be about USD 50 million, but averred he did not know the precise number. He noted the cabinet had released the Rafidain Bank's USD 84 million in operating capital. He also outlined new Jordanian-Iraqi aid, trade and investment initiatives, including a proposed crude oil pipeline from Iraq's north (ready 2007-2008 at the earliest) and an oil deal whereby a portion of Iraq's annual oil delivery would pay down the Central Bank of Jordan's USD 1.3 billion trade claim. He said a new Iraq-Jordan Higher Joint Commission would be formed, and formally meet in three months. Other projects noted include support for refurbishment of the Iraqi border station at Trebil, and financial training, all at the King's behest. END SUMMARY.

Iraqi Assets

[12.](#) (C) Charge called on Finance Minister to review the recent visit of Iraqi Prime Minister Allawi as well as the status of frozen Iraqi assets. Abu Hammour volunteered that, in the wake of a recent visit from Iraq's Minister of Finance, the cabinet had approved his proposal to release Jordanian Dinar (JD) 60 million (USD 84 million) in operating capital to the Amman-based Rafidain Bank. Abu Hammour then recited the familiar figure of total assets returned of USD 250 million. Charge asked about the amount remaining to be returned to Iraq. Abu Hammour first said that it would not be more than USD 50 million, but quickly corrected himself to say that it could be plus or minus that amount, as best he thought. It could be a little bit more (than USD 50 million), he concluded. (COMMENT: Without account ledgers in front of him, including the latest tallies of amounts paid on approved Jordanian traders' claims, Abu Hammour is giving his best-guess estimates to our queries. These are only rough estimates, and not precise calculations. END COMMENT.)

Pipeline and Oil-for-Debt Swap

[13.](#) (C) Abu Hammour prefaced his comments on Iraqi initiatives by noting a meeting King Abdullah had called about two weeks ago in which the King asked relevant cabinet members to help their Iraqi counterparts. In the context of Iraq's USD 1.3 billion trade ledger account with Jordan, Abu Hammour said that the two sides agreed first to talk about it more. His suggestion to his counterpart was that, since Jordan needed oil and there was a pipeline project being proposed, perhaps they should think of a new "oil protocol". This would be a new arrangement, he said, not necessarily linked to the completion of the pipeline. Each year, Jordan could use about USD 1 billion in crude oil from Iraq, he noted. The proposal was that Jordan would receive that valued amount in crude oil -- about USD 900 million paid at prevailing market rates but with the remainder "paid" out of the trade ledger account. The USD 1.3 billion would thus be eliminated after 13 years. Abu Hammour said this proposal has been presented to the Jordanian and Iraqi Prime Ministers for consideration.

[14.](#) (C) Charge called on Minister of Energy and Mineral Resources Azmi Khreishat the same day to inquire further into the new oil pipeline. Khreishat noted that he and Iraqi Oil Minister Thamer Al-Ghadban had begun planning for the construction of the crude pipeline from Haditha, in Iraq's north, to Zarka, where the Jordanian refinery is located. This proposal also is now before the two prime ministers. The proposed pipeline would be scheduled for a 2007-2008 completion, which would allow time for the planned modernization and expansion of Jordan's refinery to create capacity large enough for the pipeline to make economic sense. The feasibility studies for the line, completed prior to the war, had envisioned a pipeline of wider diameter than

necessary to serve the refinery's needs, leaving space for possible additional throughput if the pipeline were eventually extended south to Aqaba. Iraq's Oil Ministry will be sending technical experts in August to meet with the GOJ Energy Ministry on future implementation of plans for this pipeline.

Assistance Projects

15. (C) In addition to outlining the creation of a Public Free Zone at the Jordan-Iraq border, and seeking ways to expand exports to Iraq (Ref B), Abu Hammour noted the recent allocation of a half million JD (USD 700,000) to the Minister of Public Works to help with the refurbishment of the Iraqi border station at Trebil, opposite Al Kerama. The other side has nothing, he said, and Jordan wants to help the Iraqis with new border checkpoint booths, including the construction of a new lane for diplomats, VIPs, and businessmen. He said that other proposals were being considered in both construction and trade arrangements to facilitate trade. He stressed that trade would be under "new arrangements." He also mentioned his own proposal to the Iraqi Minister of Finance to provide training to retail bank and foreign exchange outlet personnel in Iraq. The banks were really suffering in Iraq, he said he was told. The GOJ was willing to do all that it could to train banking staff, he noted. He referred again to the reduction of border fees and taxes at the Jordan-Iraq border (Ref B).

16. (C) Like other Jordanian officials (Ref A), Abu Hammour was upbeat in describing the PM Allawi visit, noting that a press release had publicized the creation of the bilateral Higher Joint Commission, headed by the two prime ministers and covering key subjects such as finance, trade, energy and other concerned ministries. The two sides are now preparing the agenda for the first Higher Commission, he noted.

A Notable Exchange

17. (C) Abu Hammour said the highly cooperative and positive tone of the Iraqis' visit was marred only by a public (and entirely characteristic) power grab by Planning Minister Bassam Awadallah -- who announced in front of both delegations that Planning, not Trade, would be the focal point for supporting the new bilateral Higher Commission. In the absence of Trade Minister Halaiqa (in Algeria), Abu Hammour as acting Trade Minister challenged this assertion. The usually mild mannered Abu Hammour said he launched into a five minute back-and-forth with Awadallah. Prime Minister Faisal Fayed offered a classic (for him) Solomonic solution by saying Planning would lead for three months and then Trade would take over, when the formal Commission launch is to occur. Abu Hammour told us this made no sense but with a room full of Iraqis watching, finally decided he had to stop arguing and acquiesced.

BAGHDAD MINIMIZE CONSIDERED
HALE